

Appendix 6

Fraud Prevention and Investigation Program Cost-Benefit Ratio
Performance Measurement and statewide

Commission on Fraud Waste and Abuse - 5/12/2011
DHS Fraud Prevention and Investigation Program (FPIP)
Cost-benefit Ratio and Full Time Employee Equivalents

Cost-benefit Ratio Performance Standard

Purpose: To measure the pure cost-effectiveness of an FPIP agency and consortium; DHS will compare how much it costs for the program to produce the reported results. This is the measurement DHS will monitor most closely and upon which the DHS places the highest expectations. The primary purpose of the FPIP is to prevent or end benefits to ineligible people at a low cost to taxpayers.

Methodology: This figure is obtained by dividing an FPIP agency's and consortium's identified benefit savings by program costs. The calculation for determining the cost-benefit ratio uses FPIP administrative costs and three areas of program savings that are drawn from the FPIP reported results:

- Benefit savings reported as a result of case denials, reductions, and terminations;
- Established overpayments claims;
- ADH waivers and upheld hearing decisions that result in a program disqualification.

Interpretation: As an example, over a one year time period, an agency reports \$100,000 in one month benefit savings as a result of negative case actions from FPIP investigations. It also identifies \$80,000 in overpayments. Additionally, eight ADH waivers were signed and two ADH hearings were resolved in the agency's favor. The county agency's FPI administrative cost reimbursements totaled \$80,000.

Determining total cost savings requires some additional calculation. First, because future program dollars saved cover several months of potential benefit issuance, some weighting of these two figures is warranted. Accordingly, the reported one month program savings total is multiplied by six to give a six month cost saving total. In this example, a value of \$600,000 is assigned to program savings.

Secondly, for purposes of cost-benefit calculations, the value of a signed ADH waiver or upheld hearing that results in a disqualification creates a savings benefit from a disqualification, shall be assigned a standard savings amount of \$1,000. In this example, a value of \$10,000 is assigned to program savings.

After these calculations, the total savings can be determined by adding the program cost avoidance amount (\$600,000), identified overpayments (\$80,000), and the ADH benefit savings (\$10,000).

This total benefit figure of \$690,000 is divided by the program cost of \$80,000 resulting in a positive cost-benefit ratio of \$8.625. For every one dollar of administrative costs, the program returns nearly eight and a half dollars in benefits recaptured or never expended.

Benchmark performance measure: a \$5.00 cost-benefit ratio is the benchmark expectation for basic cost-effectiveness. A corrective action plan is required from any county agency posting a cost-benefit ratio below \$4.00.

FPIP 1st Quarter Numbers – Preliminary (from CBV098A January- March)

- ☐ Total Benefits Savings \$1,454,309
- ☐ Total Costs \$194,471
- ☐ Savings/Cost Ratio is 7.48
- ☐ Completed FEVs 221
- ☐ Completed FRDs 451

Note: the majority of these completed referrals pertain to eligibility-related issues (e.g. household composition or unreported income) as opposed to trafficking referrals (like selling a Quest card). We do not currently have the ability to get accurate counts on the totals for each category; this count is combined.